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SUBJECT: DOMINICAN ELECTION SERIES #49: LEONEL FERNANDEZ --
THE ONCE AND FUTURE PRESIDENT?

Classified By: DCM Lisa Kubiske. Reason: 1.5 (b) and (d).

11. (SBU) This is cable #49 in our series on the Dominican presidential elections.

FERNANDEZ: THE ONCE AND FUTURE PRESIDENT?

(SBU) Lawyer turned politician, Leonel Fernandez once reigned over the small island nation of the Dominican Republic. Times were good - tourism and exports were up, the currency was stable, and the country achieved unmatched economic growth, up to 8 percent annually. Fernandez owed his victory to unexpected support from outgoing President Joaquim Balaguer, but despite that twist in politics, he helped his small nation gain international stature, while pulling away from its dictatorial past toward institutionalized democracy. Although this bright picture was clouded by allegations of corruption within his administration and a problematic, unpopular partial privatization of the electricity sector, most Dominicans recall Fernandez as the leader of prosperity and stability.

Constitutions and Foundations

(SBU) The constitutional changes negotiated following the flawed 1994 elections opened the way for Fernandez's candidacy by truncating Balaguer's term to two years, but they also instituted a ban on presidential re-election. Approaching the end of his term, Fernandez turned to private sector supporters to propose the establishment of a "think tank" for the Dominican Republic. Donors responded generously, providing an endowment, a downtown lot, construction services and donations that allowed the "Global Foundation for Democracy and Development" (FUNGLODE) rapidly to become a busy, credible, U.S.-style institution in a modern four-story building with a fully furnished research library, auditorium, publications, a program of seminars and conferences, and formal links to universities (Columbia, Rutgers, Drexel) and institutions (the Smithsonian, Microsoft Corporation). Fernandez, as president, has had four years on international conference circuits.

(U) FUNGLODE's mission statement could serve equally well as Fernandez's conceptual approach to government and campaigning; as a private, non-profit organization it is "dedicated to formulating strategic and conjuncture related innovative proposals on relevant issues of national interest, enhancing the quality of the national debate, and devising public policies crucial to the Dominican Republic's good governance and socioeconomic development." There is a close association between the PLD and FUNGLODE, but the foundation has its own identity (see www.funplode.org). FUNGLODE executive director Temistocles Montas was Technical Secretary to the Fernandez presidency and is a senior PLD advisor to Fernandez; economic director Frederic Emam-Zade served as Under Secretary at the Fernandez Foreign Ministry.

The Rational Man

(C) Fernandez is a reader and a thinker, though not necessarily an original or deep thinker. His conceptual style is that of problem solver, an approach that retains the historical social concern of the PLD without the anti-market rhetoric of Juan Bosch. In January he had FUNGLODE commission an economic policy diagnostic from the Economist Intelligence Unit; in April the PLD published a 150-page party platform long on concern, lofty in ambition and relatively short on specifics.

(C) Fernandez's soft-spoken, cerebral style contrasts markedly with the brash tendencies of his leading rival, incumbent President Hipolito Mejia. Mejia has leveled a number of personal attacks against Fernandez, emphasizing legal retainer payments received from the spectacularly corrupt Baninter. Fernandez does not deny receiving these; and FUNGLODE staff acknowledge that Baninter pledged the

revenue from identified financial assets to the endowment -- a gift that disappeared when Baninter collapsed. None of these charges has been particularly damaging, probably because Baninter president Ramon Baez Figueroa gave funds to individuals, officials, causes, and charities across the full political spectrum.

Concerning the United States and the Region

(SBU) His relations with the United States were generally good during his 1996-2000 term, and Fernandez has promised to pursue strong cooperation with the U.S. Government if elected to serve a second term. In mid-March 2004 a senior PLD delegation met with NSC and State Department staff to deliver an aide-memoire confirming PLD interest in good relations, including support for the free trade agreement then in negotiation, for law enforcement cooperation, and for anti-terrorism efforts.

(C) The PLD platform advocates closer ties with other Caribbean nations for regional and trade issues. As president, Fernandez recognized Cuba in 1998. Fidel Castro later visited the Dominican Republic and Fernandez gave him a decoration in a state ceremony. Fernandez's PRD adversaries seek to trade on the Cuba decision; they assert to their followers that Fernandez now owns a hotel in Cuba (the logic is lacking, but the smear is evident). Fernandez is pragmatic on Cuba -- when the United States was seeking to persuade Mejia to support the Cuba resolution at the UN Commission on Human Rights in April, 2004, the Ambassador sought and obtained Fernandez's assurance that he would not speak out against a Dominican Republic vote against Cuba. Mejia's reluctant vote provided the margin of victory, and Fernandez kept his word, never mentioning the subject.

(SBU) Fernandez is on good terms with President Chavez of Venezuela, in part because as FUNGLODE president he served as the mediator who traveled to Caracas to negotiate the engagement of the Carter Center in Venezuela's polarized politics. U.S. authorities saw this as a positive example of Dominican engagement in the region.

(U) The Fernandez administration revised procedures in 1998 so as to make possible the extradition to the United States of Dominicans and other nationals. Several fugitives were delivered under these provisions, although some extradition requests were denied.

(C) The Ambassador is acquainted with Fernandez from the 1996-2000 presidency and has met periodically with him in formal and informal settings, one-on-one and in groups. The relationship has warmed considerably over time. At the Ambassador's private lunch for Fernandez and senior aids on April 13, Fernandez said he would be happy to "vet" with the Embassy any prospective appointees for sensitive positions. He confirmed his intention to support the free trade agreement and to work to implement it. At about the same time, he commented publicly that a Fernandez administration would honor Dominican commitments to the United States concerning support for the effort in Iraq (later, unfortunately, Mejia withdraw the troops).

The March Back

(SBU) The PLD's candidate for the presidency in 2000, Danilo Medina, placed a weak third, leaving the way clear for Fernandez to reassume control of the party. The deterioration of the Dominican economy in 2002-2003, due both to externalities and to errors by the Mejia administration, made Fernandez look golden. An easy winner in the PLD party selection process, Fernandez has enjoyed poll numbers near 60 percent since October of 2003. On looming purple and yellow billboards across the country, his smiling face promises Dominican voters a "return to progress" if he is elected on May 16th. (Mejia's slogan in weak response in the later campaign has been "Let's Work Together to Get to the Good Times.") The numbers have diminished slightly, but reputable firms estimate Fernandez's support around 55 percent of the electorate.

(U) With 71 percent of Dominicans believing the country is in worse shape now than it was when Fernandez left office in 2000 and about the same number declaring outright rejection of Mejia, PLD faithful are predicting a first-round victory. Some observers worry that PLD members' triumphalism now may lead to violence if results declared by the Central Electoral Board (JCE) do not immediately and obviously favor Fernandez.

(C) Fernandez and senior supporters are worried about the possibility of fraud and concerned at the aggressive attitude of Mejia and his faction of the PRD. In early 2004 Fernandez asked publicly and privately for more extensive international observation of the elections. At a lunch hosted by the Ambassador in April, he spent the first 20 minutes of the encounter on this subject. As with FUNGLODE, he was able to tap the Dominican private sector -- ten donors associated with the National Council of Entrepreneurs (CONEP) stumped up

a total of \$100,000 and members of a U.S.-based Dominican-American business group matched that or better. These donations financed a 25-person electoral observation team from the International Foundation for Electoral Systems (IFES), to function independently of the OAS observer mission supported by the United States, the European Commission and Canada.

Tough Road Ahead

(SBU) If he is elected, Fernandez will be facing far greater difficulties than he did in 1996-2000. The Congress in office until 2006 is dominated by the PRD (with an absolute majority in the Senate). The IMF program is on continuing review until at least June, at which time the principal goals must be renegotiated; any Dominican government will be carrying out a challenging austerity program over the medium term. Fernandez has told supporters they'll have to give him time to set things right, but expectations will be irrationally high if he is elected.

(C) The PLD has traditionally been a fairly exclusionary party -- for example, Fernandez gave reformistas virtually no posts in his government, even though he owed his election in large part to the support of Balaguer. Many interests would be clamoring for a place in his administration; among the first in line will be the senior reformistas who broke bitterly with Eduardo Estrella to support Fernandez.

(C) Another question, in our opinion, is whether Fernandez will be tough enough. Mejia has taken decisions, even if they were at times wrong decisions; as for Fernandez, it's not yet clear whether Fernandez will cut through the dialogue and contending interests to impose clear direction and discipline within his administration. This is particularly a concern as regards corruption -- a major ill of Dominican institutions that without forceful action will continue to poison politics and the economy.

Lawyer, politician, intellectual - a brief bio

(U) Leonel Fernandez was born in Santo Domingo on December 26, 1953, but moved to New York City in 1956 and attended elementary and junior high school there. In 1969, he returned to Santo Domingo for high school and college, eventually receiving a law degree in 1978 from the Autonomous University of Santo Domingo (UASD). Fernandez has done postgraduate work in law at Columbia University and at the State University of New York. He is the current chairman and president of the PLD, as well as the founder and president of the Global Foundation for Democracy and Development (FUNGLODE).

(SBU) Fernandez entered politics in the early 1970s under the tutelage of Professor Juan Bosch, long time member of the Dominican Revolutionary Party (PRD). In the mid-1970's he left the party with Bosch to establish the leftist Dominican Liberation Party (PLD). During the 1980s and early 1990s, Fernandez was the PLD's press secretary, eventually becoming the party's unsuccessful vice-presidential candidate in 1994. Fernandez practiced law before running as PLD candidate for President in 1996 and winning thanks to Balaguer's support. (Balaguer's move was widely interpreted as against the PRD's Jose Francisco Pena Gomez rather than for Fernandez.)

(C) During his presidency, Fernandez elevated the international presence of the Dominican Republic by making historic official visits to Haiti and to Europe, participating in international forums and summits, and concluding free trade agreements with CARICOM and the Central American nations. His domestic record was more mixed, however, as strong economic growth and successful privatization of several unprofitable state enterprises coincided with an ineffective partial privatization of the system of regional electricity generators and distribution companies. For the last two years of his term he faced an opposition-dominated Congress.

(U) Fernandez speaks native Dominican Spanish, fluent English and some French.

(U) In 2003, Fernandez married fellow lawyer Margarita Cedeno, and the two have a daughter, Yolanda. Fernandez has two other children, Nicole and Omar Leonel, from a previous marriage that ended in 1995.

12. (U) Drafted by Clare Ribando, Michael Meigs.

13. (U) This report and others in the series are available on the classified SIPRNET at <http://www.state.sgov.gov/p/wha/santodomingo/> along with extensive other material.

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